

Message Text

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PAGE 01 MADRID 04600 200606Z

17

ACTION TRSE-00

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P 191545Z JUL 74

FM AMEMBASSY MADRID

TO SECSTATE WASHDC PRIORITY 9508

UNCLAS MADRID 4600

DEPT PASS TREASURY FOR MESSRS. RICHARD SELF AND WILLIAM
BARREDA

E.O. 11652: N/A

TAGS: ETRD, SP

SUBJECT: COUNTERVAILING DUTIES

REF: MADRID 4583

1. TRANSMITTED HERewith PER REFTel IS WORKING TRANSLATION TO
ENGLISH OF NOTE VERBALE DATED JULY 17, 1974, FORMAL
ADDRESS AND COMPLEMENTARY CLOSe EXCLUDED:

QUOTE ON JULY 16TH, THE FEDERAL REGISTER OF THE
UNITED STATES PUBLISHED A NOTICE OF HEARING BY THE
TREASURY DEPARTMENT FOR A FORMAL INVESTIGATION ON SPANISH
TAX REFUNDS ON EXPORTS OF SHOES AND BOTTLED OLIVES TO THE
UNITED STATES. THE PURPOSE OF THIS INVESTIGATION IS TO
MAKE A DETERMINATION WHETHER THE ABOVE MENTIONED TAX
REFUND MIGHT OR MIGHT NOT CONCEAL A SUBSIDY ON SUCH
EXPORTS. IF AFFIRMATIVE, IT WOULD MOST PROBABLY BE
DECIDED TO APPLY THE CORRESPONDING COMPENSATORY DUTIES.

QUOTE THE SPANISH GOVERNMENT HAS REPEATEDLY EXPRESSED
TO THE COMPETENT AMERICAN AUTHORITIES ITS POINT OF VIEW,
BOTH IN MEETINGS AT EXPERTS' LEVEL HELD DURING THE MONTHS
OF MAY AND JUNE, AS WELL AS IN NOTES VERBALE AND IN A
MEMORANDUM DELIVERED TO THE SECRETARY OF STATE BY THE
MINISTER OF FOREIGN AFFAIRS OF SPAIN ON JUNE 21, 1974.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 MADRID 04600 200606Z

IN ALL THESE MEETINGS AND COMMUNICATIONS, THE SPANISH

GOVERNMENT HAS REITERATED, ONCE AND AGAIN, ITS AFFIRMATION THAT THE TAX REFUND SYSTEM APPLIED TO SPANISH EXPORTS OF SHOES AND BOTTLED OLIVES IS PERFECTLY CORRECT AND DOES NOT CONCEAL ANY SUBSIDY TO EXPORTS OF SUCH COMMODITIES, AND IS NOT IN CONTRADICTION TO GATT'S REGULATIONS.

QUOTE BUT ASIDE FROM THE COMMENDS ON THE ROOT OF THE PROBLEM, THE SPANISH AUTHORITIES HAVE REPEATEDLY EXPLAINED THE DAMAGES THAT COULD BE PRODUCED UPON OUR EXPORTS OF THE ABOVE MENTIONED PRODUCTS BY THE MERE FACT OF INITIATING THE INVESTIGATION, WHICH HAS RECENTLY TAKEN PLACE. IN REALITY, THE SPANISH AUTHORITIES HAVE REPEATEDLY WARNED THE AMERICAN AUTHORITIES ABOUT THE CONSEQUENCES THAT THE MERE INITIATION OF THE INVESTIGATION COULD PRODUCE UPON EXPORTS OF TWO PRODUCTS THAT REPRESENT 40 PERCENT OF THE TOTAL SPANISH EXPORTS TO THE UNITED STATES AND, CONSEQUENTLY, UPON A GLOBAL TRADE THAT HAS BEEN INCREASING IN A SATISFACTORY FORM, IN SPITE OF THE SERIOUS DEFICIT FOR SPAIN IN THE BALANCE OF TRADE BETWEEN THE COUNTRIES.

QUOTE IN SPITE OF ALL THE TECHNICAL REASONS AND ARGUMENTS OFFERED BY THE SPANISH GOVERNMENT, IT HAS BEEN IMPOSSIBLE TO PREVENT THE TREASURY DEPARTMENT FROM OPENING THE ABOVE MENTIONED INVESTIGATION.

QUOTE THEREFORE, THE SPANISH GOVERNMENT SEES ITSELF IN THE NEED OF PRESENTING ITS STRONG PROTEST AGAINST THE ADOPTION OF A MEASURE THAT IT UNDERSTANDS DAMAGES THE INTERESTS OF ITS EXPORTERS AND THAT LACKS A TECHNICALLY CORRECT FOUNDATION, AS SPANISH EXPERTS HAVE BEEN ABLE TO DEMONSTRATE THAT THE TAX REFUND IS APPLIED IN A COMPLETELY CORRECT MANNER.

QUOTE AT THE SAME TIME, THE SPANISH GOVERNMENT EXPRESSES ITS CONFIDENCE THAT THE PROCEEDINGS REGRETFULLY INITIATED WILL CONFIRM THE SPANISH POINTS OF VIEW, ALTHOUGH THE DAMAGES CAUSED BY THE INITIATION OF THE INVESTIGATION ARE ALREADY IRREPARABLE.

QUOTE FINALLY, THE MINISTRY OF FOREIGN AFFAIRS TAKES THE LIBERTY OF REMINDING THE EMBASSY OF THE UNITED STATES IN MADRID THAT POINT #1 OF THE PROCEEDINGS OF JUNE 28, 1974, RECORDING THE CONCLUSIONS OF THE MEETING AT EXPERTS' LEVEL HELD IN MADRID ON JUNE 26 AND 27, 1974, READS AS FOLLOWS: "BEFORE JULY 13, 1974, THE U.S. DELEGATION WILL

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 MADRID 04600 200606Z

SEND TO THE SPANISH DELEGATION A WRITTEN STATEMENT TO INCLUDE A SUMMARY OF ITS POINTS OF VIEW EXPRESSED AT THE MEETING." THIS INFORMATION HAS NOT, SO FAR, BEEN RECEIVED BY THE SPANISH DELEGATION. UNQUOTE.

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